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PRODSTAR - AN APPLICATION OF MRP II SOFTWARE TO
PRODUCTION PLANNING AND CONTROL.

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FORECASTING

Introduction

Every day managers make decisions without knowing what will happen in the future . Inventory is ordered without certainty as to what sales will be ; new equipment is purchased despite uncertainty about demand for products ; and investments are made without knowing what profits will be . Managers are always trying to make better estimates of what will happen in the future in the face of uncertainty . Making good estimates is the main purpose of forecasting .

In this chapter we examine different types of forecasts , and we present a variety of forecasting models with such names as moving averages , exponential smoothing , and linear regression . The purpose is to show that there are many ways for managers to forecast the future . We also provide an overview of the subject of business sales forecasting and describe how to prepare , monitor , and judge the accuracy of a forecast . Good forecasts are an essential part of efficient service and manufacturing operations ; they are also an important modeling tool in both strategic and tactical decision making.

WHAT IS FORECASTING ?

Forecasting is the art and science of predicting future events . It may involve taking historical data and projecting them into the future with some sort of mathematical model . It may be a subjective or intuitive prediction of the future . Or it may involve a combination of these , that is , a mathematical model adjusted by a manager's good judgment .

Few businesses , however , can afford to avoid the process of forecasting by just waiting to see what happens and taking their chances . Effective planning in both the short and long run depends on a forecast of demand for the company's.

Forecasting Time Horizons